

**Region XII Council of Governments, Inc.
Carroll, Iowa**

**Financial Statements
Independent Auditor's Reports
Supplemental Information
Schedule of Findings & Questioned Costs
June 30, 2015**

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REGION XII COUNCIL OF GOVERNMENTS, INC.
BOARD OF DIRECTORS AND OFFICERS

<u>Name</u>	<u>Title</u>	<u>County Represented</u>
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Executive Board Members

Marty Danzer	Chairperson	Carroll
Eric Skoog	Vice-Chairperson	Crawford
Jerry Caraher	Secretary	Guthrie
Guy Richardson	Treasurer	Greene
Duane Deist	Board Member	Audubon
Ranell Drake	Board Member	Sac

Policy Council Members

Jay Dee Mendenhall	Board Member	Audubon
Gary VanAernam	Board Member	Audubon
Gene Karstens	Board Member	Audubon
Neil Bock	Board Member	Carroll
Dean Schettler	Board Member	Carroll
Cindy Fay	Board Member	Carroll
Rachel Desy	Board Member	Crawford
Pam Tripp	Board Member	Crawford
Loren Schultz	Board Member	Crawford
Jane Heun	Board Member	Greene
Amy Milligan	Board Member	Greene
John Muir	Board Member	Greene
Jerri Christman	Board Member	Guthrie
Luann Waldo	Board Member	Guthrie
Everett Grasty	Board Member	Guthrie
Morris Boeckman	Board Member	Sac
Joan Godbersen	Board Member	Sac
Elaine Rex	Board Member	Sac

Region XII Council of Governments, Inc. Officers

Richard Hunsaker	Executive Director
Chris Whitaker	Local Assistance Director
Thomas Feldman	Transit Director
Beth Winkquist	Workforce Director
Kathleen Pauli	Fiscal Officer

In January of each year, each member of the County Board of Supervisors shall appoint or reappoint three local elected officials or persons responsible to local elected officials to serve at least one year as their County's representative. One of the three shall be designated Chairperson of that group and shall be designated an officer candidate and member of the Executive Board. The Executive Board shall appoint a fourth member from each county to serve on the policy council.

John D. Morrow

Certified Public Accountant

Member
Iowa
Society

Certified Public Accountants

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November 12, 2015

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Region XII Council of Governments, Inc.
Carroll, Iowa

Report on Financial Statements

I have audited the accompanying financial statements of Region XII Council of Governments, Inc. (a non-profit corporation), which comprise the statements of financial position as of June 30, 2015, and the related statements of activities, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Region XII Council of Governments, Inc. as of June 30, 2015, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7-10 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the financial statements, and other knowledge I obtained during my audit of the financial statements. I do not express an opinion or provide any assurance of the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Functional Expenses, State, General and Local Administered Program Activity, Federal Program Activity, Western Iowa Transit Programs Activity, Completed Programs, Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget (OMB) Circular A-133, and Proportionate Share of the Net Pension Liability and IPERS Contributions are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 12, 2015 on my consideration of Region XII Council of Governments, Inc.'s internal control over financial reporting and on my test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Region XII Council of Governments, Inc.'s internal control over financial reporting and compliance.

REGION XII COUNCIL OF GOVERNMENTS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

As management of Region XII Council of Governments (COG), Inc., we offer the readers of Region XII COG financial statements this narrative overview and analysis of the financial activities of the commission for the fiscal years ended June 30, 2015. This report is intended to serve as an introduction to Region XII COG's basic financial statements.

Financial Highlights

- The assets of the COG exceeded its liabilities as of June 30, 2015 by \$10,843,097 (net assets). Of this amount, \$3,571,798 represents amounts that are non-spendable, which consist of investments in property, vehicles, and equipment. Funds reserved for housing loans equal \$1,538,924 and the health insurance reserve is \$267,903. The unassigned local net assets equal \$6,435,754 and net asset pension reported amount is \$(1,271,282).
- The COG's total net assets decreased by \$632,883 over the prior year. Net assets increased from operations by \$638,399, which included investment in plant, property, & equipment and housing program loans. A net asset decrease of \$1,271,282 was attributed to the required change in reporting of the net asset pension amount as disclosed in Note 4 in the Notes to Financial Statements.
- Revenues were \$5,859,023 which is 396,512 more than the costs/expenses.
- The total cost of programs increased by \$588,212, primarily due to increases in grants & awards funding. Revenues increased \$715,221, primarily due to increase in grants and awards funding.
- The COG decreased its long-term debt by retiring obligations to the DOT for transit capital projects.
- The assets of the COG do not include assets assigned to its subsidiary non-profit corporations Council of Governments Housing, Inc. and the Region XII Development Corporation.

Overview of the Financial Statements

The COG's basic financial statements are comprised of 1) financial statements and 2) notes to the financial statements. In addition, other supplementary information to the basic financial statements is provided.

The financial statements include a *Statement of Financial Position, Statement of Activities, Statement of Changes in Net Assets, and Statement of Cash Flows*. These statements present information of the COG's finances in a manner similar to governmental activities. The activities are consolidated and present the operations as a whole.

The *Statement of Financial Position* presents information on all of the COG's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in the COG's net assets may be an indicator of whether its financial position is improving or declining, respectively. The past 20 years have witnessed steady growth of net assets.

REGION XII COUNCIL OF GOVERNMENTS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

The *Statement of Activities and Statement of Changes in Net Assets* present information showing how the COG's net assets changed during the year. This statement reports the cost of activities and how those costs were recovered for the fiscal year.

The *Statement of Cash Flows* presents information on the cash flow of the COG during the fiscal year. This information can assist the user of the report in determining how the COG financed its activities and how it met its cash requirements.

Notes to the financial statements

The notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the financial statements. The notes to the financial statements are found on pages 16-27. Schedules of revenues and expenses may be found on pages 29-34.

Financial Analysis of the COG's Net Assets

The table below is a summary of the COG's net assets for the year ended June 30, 2014.

NET ASSETS		Restated
	2015	2014
Current assets	\$ 7,531,981	\$ 6,982,609
Property and equipment	3,571,798	3,466,541
Other assets	1,225,292	1,381,668
Deferred outflows of resources	82,437	133,900
TOTAL ASSETS	<u>12,411,508</u>	<u>11,964,718</u>
Current Liabilities	613,051	654,838
Long-term Liabilities	908,778	1,405,182
Deferred inflow of resources	346,582	0
TOTAL LIABILITIES	<u>1,868,411</u>	<u>2,060,020</u>
NET ASSETS:		
Non-spendable	3,571,798	3,466,541
Unassigned net assets	6,435,754	5,702,781
Health insurance reserve	267,903	267,524
Reserve for loans	1,538,924	1,739,134
Net asset pension	(1,271,282)	(1,271,282)
Total Net Assets	\$ <u>10,543,097</u>	\$ <u>9,904,698</u>

As noted earlier, net assets may serve over time as a useful indicator of the COG's financial position. In the case of the COG, assets exceeded liabilities by \$10,543,097 at the close of the most recent fiscal year.

Approximately 61% of the COG's net assets are categorized as "unassigned net assets," the large majority of which is monies in revolving loan funds, although the COG does have significant general reserves for its planning and transit operations. Just over 33.8% of the net assets are attributed to capital assets. Just over 14.5% of the net assets are outstanding loans for housing, a negative (12%) accounts for the net asset pension amount and the balance is for a small health insurance reserve. The COG records assets using historical cost. If actual cost is not known, an estimated historical cost will be used.

The restated 2014 amounts are disclosed in Note 12 in the Notes to Financial Statements

REGION XII COUNCIL OF GOVERNMENTS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

	<u>2015</u>	<u>2014</u>
Revenues:		
Program Grants and Awards	\$ 3,300,299	\$ 2,860,919
Public Support & Program Funds	1,120,274	988,447
Elderbridge Agency on Aging	31,000	41,000
United Way	4,500	4,500
Loan Repayments	385,682	350,746
Interest From Loans & Fees	56,349	63,329
Interest From Investments	57,699	54,087
Other Revenues	542,067	358,136
Matching Funds	318,720	192,260
In-Kind Match	42,433	30,378
Total Revenue	<u>5,859,023</u>	<u>5,143,802</u>
Expenses:		
Local Funds	(3,796)	57,059
Revolving Loan Funds	209,335	321,247
Community Administered & Support	221,192	358,287
Iowa Waste Exchange	402,311	405,336
Iowa Workforce Development	53,441	54,007
Western Iowa Advantage	93,924	68,169
Economic Development Planning	122,000	109,800
Hazard Mitigation Grants	0	26,986
Community Development Block Grants	947,971	873,524
HOME Investment Partnership	412,105	48,550
Workforce Investment Act-Title I & SWA	156,644	168,011
Community Partnerships for Protecting Children	38,638	50,054
Rural Transit Systems	2,332,084	1,905,438
Regional Transportation Planning	140,200	125,111
Depreciation	336,462	302,720
Total Expenses	<u>5,462,511</u>	<u>4,874,299</u>
Revenue over expenses	\$ <u>396,512</u>	\$ <u>269,503</u>

The COG's total revenues increased 13.9% to \$5,859,023. The most dramatic difference was the increase in Program Grants & Awards, attributed to increasing activity in housing programs for which the COG served as subrecipient. This increase was nearly 15.4% and represented \$439,380 of the difference. Other revenues funds made up the bulk of the remaining increase. The total cost of all programs/services increased by \$588,212 or 12%. The COG's expenses are predominantly related to providing services such as public transit, workforce development, housing, planning, grant administration, or technical assistance to the COG's members.

REGION XII COUNCIL OF GOVERNMENTS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

Capital Assets

By the end of the 2015 fiscal year, the COG had invested \$3,571,798 in capital assets, net of accumulated depreciation of \$2,656,444. Total depreciation expense for the year was \$336,462. The COG added \$441,719 to its capital assets recorded at actual cost. The COG disposed of several transit vehicles that had value in the amount \$98,772.

Long-term Debt

At the end of the current fiscal year, the COG had no long-term debt outstanding. No significant long-term debt is anticipated in coming years with the possible exception of additional DOT Amoco loans for public transit rolling stock.

Economic Factors on the COG's Future

At the time these financial statements were prepared and audited, the COG was aware of several key factors that may have an impact upon the COG's future funding levels.

- Local, State and Federal economic conditions are key indicators for resource availability and monitoring these conditions will be prudent for Region XII COG and its future success in regional service delivery.
- Health insurance costs continue to rise with current rates projected to increase 9.14% for FY 2016.
- Funding decreases in certain federal programs, such as the Workforce Investment Act, and the State of Iowa's response to these decreases may render services at the COG level impractical or impossible. The COG has begun a strategic management partnership with SDR13 in Council Bluffs which may or may not lead to similar arrangements.
- Consolidation of services as a result of decreased funding at the local and state level may provide opportunities for the COG to provide services in areas not currently provided.
- Changing priorities in housing will require the COG to continue to adjust its approach and offerings.
- Region XII COG has three facilities on which it has little debt as these were paid through grants or self-financing. The COG is therefore able to adjust its debt servicing to meet budget demands.
- The COG is a member of the Iowa Association of Regional Councils and is providing new lines of business in consortium with its sister organizations statewide.
- In fiscal year 2015, the COG had five associate members in Dallas County and one in Boone County. A move to re-form a central Iowa COG may require the COG to either court the entire county and expand its boundaries or cede these cities to the new organization.

Contacting the Agency's Financial Management

This financial report is designed to provide a general overview of the COG's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Executive Director, Region XII COG, Inc., 1009 E Anthony St, PO Box 768, Carroll, Iowa 51401.

FINANCIAL STATEMENTS

REGION XII COUNCIL OF GOVERNMENTS, INC.
STATEMENT OF FINANCIAL POSITION
FOR YEAR ENDED JUNE 30, 2015

	<u>2015</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 6,449,576
Receivables:	
Grantor agencies	484,543
Other sources	159,984
Affiliated organizations	0
Prepaid expense	124,246
Accrued interest receivable	67,051
Current portion of housing loans	<u>246,581</u>
Total Current Assets	<u>7,531,981</u>
PROPERTY AND EQUIPMENT	
Land & building	3,291,104
Vehicles	2,569,736
Office equipment	<u>367,402</u>
	6,228,242
Less accumulated depreciation	(2,656,444)
	<u>3,571,798</u>
OTHER ASSETS	
Housing program loans	1,538,924
Less current portion of loans	(313,632)
	<u>1,225,292</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related deferred outflows	<u>82,437</u>
TOTAL ASSETS	<u>\$12,411,508</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 149,891
Notes payable	239,700
Accrued payroll and benefits	104,256
Accrued annual leave payable	<u>119,204</u>
Total Current Liabilities	613,051
LONG TERM LIABILITIES	
Net pension liability	908,778
DEFERRED INFLOWS OF RESOURCES	
Pension related deferred inflows	<u>346,582</u>
Total Liabilities	<u>1,868,411</u>
NET ASSETS	
Unassigned net assets	6,435,754
Health insurance reserve	267,903
Investment in property, vehicles	
and equipment	3,571,798
Reserve for loans	1,538,924
Net asset pension	(1,271,282)
	<u>10,543,097</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,411,508</u>

See accompanying Notes to Financial Statements.

REGION XII COUNCIL OF GOVERNMENTS, INC.
STATEMENT OF ACTIVITIES
FOR YEAR ENDED JUNE 30, 2015

	<u>2015</u>
Revenues:	
Program Grants and Awards	\$ 3,300,299
Public Support & Program Funds	1,120,274
Elderbridge Agency on Aging	31,000
United Way	4,500
Loan Repayments	385,682
Interest From Loans & Fees	56,349
Interest From Investments	57,699
Other Revenues	542,067
Matching Funds	318,720
In-Kind Match	42,433
Total Revenue	<u>5,859,023</u>
Expenses:	
Local Funds	(3,796)
Revolving Loan Funds	209,335
Community Administered & Support	221,192
Iowa Waste Exchange	402,311
Iowa Workforce Development	53,441
Western Iowa Advantage	93,924
Economic Development Planning	122,000
Community Development Block Grants	947,971
HOME Investment Partnership	412,105
Workforce Investment Act-Title I & SWA	156,644
Community Partnerships for Protecting Children	38,638
Rural Transit Systems	2,332,084
Regional Transportation Planning	140,200
Depreciation	336,462
Total Expenses	<u>5,462,511</u>
Revenue over expenses	\$ <u>396,512</u>

See accompanying Notes to Financial Statements.

REGION XII COUNCIL OF GOVERNMENTS, INC.
STATEMENT OF CHANGES IN NET ASSETS
FOR YEAR ENDED JUNE 30, 2015

	<u>2015</u>
Program revenues over expenses	\$ 396,512
Increase in Self Insurance- "Health Insurance Reserve"	378
Investment in plant, vehicles, & equipment	441,719
(Decrease) in "Reserve for Loans"	(200,210)
(Decrease) in "Net Asset Pension"	(<u>1,271,282</u>)
Total Change in net assets	(632,883)
Net Assets-Beginning of Year	<u>11,175,980</u>
Net Assets-End of Year	\$ <u><u>10,543,097</u></u>

See accompanying Notes to Financial Statements.

REGION XII COUNCIL OF GOVERNMENTS, INC.
STATEMENT OF CASH FLOWS
FOR YEAR ENDED JUNE 30, 2015

	<u>2015</u>
Resources Provided (Used) By:	
Cash Flow from Operating Activities:	
Revenue over expenses	\$ 396,512
Items not requiring outlays of cash:	
Depreciation	336,462
Pension related expense	(98,359)
Change in Operating Assets & Liabilities:	
Accounts receivable	(79,530)
Prepaid expenses	8,577
Accounts payable	(117,270)
Accrual payroll and benefits	18,074
Accrual annual leave	<u>12,109</u>
	<u>476,575</u>
Cash Flow From Investing Activities:	
Self insurance - health insurance reserve	<u>378</u>
Cash Flow From Financing Activities:	
Borrowing - short term notes	327,600
Payments - short term notes	(267,200)
Payments - long term notes	<u>(15,100)</u>
	<u>45,300</u>
Net Increase in Cash	522,253
Cash, Beginning of Year	<u>5,927,323</u>
Cash, End of Year	\$ <u><u>6,449,576</u></u>

Interest Expense - Cash Basis	\$ <u><u>6,062</u></u>
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See accompanying Notes to Financial Statements.

REGION XII COUNCIL OF GOVERNMENTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 Nature of Activities and Significant Accounting Policies

A. Nature of Activities

Region XII Council of Governments, Inc. (COG) entered into a 28E agreement to service the Iowa counties of Audubon, Carroll, Crawford, Greene, Guthrie, and Sac.

The purposes for which the COG was organized are to provide joint services and facilities with other agencies to promote and assist the economic development of business concerns through growth and development and aid in development opportunities to the region, thereby increasing employment, business volume, and business payrolls. To accomplish these purposes, the COG has all the powers enumerated in the Iowa Non-Profit Corporation Act, Chapter 504 of the Code of Iowa and is certified in good standing with the Iowa Secretary of State. These powers are limited to the definitions and purposes encompassed by Section 501(c)(3), of the Internal Revenue Code. In addition, the COG has the power and duty to make comprehensive studies and plans for the development of the area it serves, to eliminate planning duplication, to promote governmental economy and efficiency, and to otherwise guide the unified development of the area.

Region XII Council of Governments, Inc. is the designated administrative agency, fiscal agent, and coordinating service provider for the Workforce Investment Act (WIA) in Iowa Workforce Development (IWD) Region 8. Region 8 includes the Iowa counties of Audubon, Carroll, Crawford, Greene, Guthrie, and Sac. The cities of Perry, Redfield, Minburn, Adel, Madrid, and Linden, are associate members of the COG. Region XII COG, Inc.'s Executive Board has the responsibility for all records which are included in these financial statements.

Region XII Council of Governments, Inc. owns and operates the Western Iowa Transit. This rural transit system provides transit services to senior citizens, persons with disabilities, preschool and school aged students, and the general public. Western Iowa Transit operates in Audubon, Carroll, Crawford, Greene, Guthrie, and Sac counties and is recognized by the Department of Transportation as the regional transit organization. The mission of Western Iowa Transit is to provide safe, dependable, and efficient public transit services for all citizens within its service area in a manner which will help them maintain and improve their quality of life.

Region XII Council of Governments, Inc. serves as the Regional Planning Affiliation (RPA) for the counties of Audubon, Carroll, Crawford, Greene, Guthrie, and Sac. As the RPA, the COG prepares all planning documents pursuant to transportation planning in the region, including the programming of regional federal funds for transportation. The COG is advised by a Transportation Advisory

REGION XII COUNCIL OF GOVERNMENTS, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2015

Note 1. Nature of Activities and Significant Accounting Policies (continued)

A. Nature of Activities (continued)

Committee on all planning documents. Final decisions on these documents are made by the Policy Council of Region XII Council of Governments, Inc.

Region XII Council of Governments, Inc. assists the communities and counties in identifying housing needs. Once needs are identified, the organization will work with the necessary partners to achieve those goals. Examples of programs include various housing rehabilitation programs, down payment assistance, rental projects, new construction, development of lots for sale, and lead base paint & inspection services.

The organization is dependent on continued funding by Federal, State and local governmental bodies to provide the programs necessary to support the services and objectives set out above.

B. Significant Accounting Policies

Program Fund Accounting - To ensure observance of limitations and restrictions placed on the use of resources available to Region XII Council of Governments, Inc., the accounts of the organization are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into program funds established according to their nature and purposes. Separate accounts are maintained for each program fund. However, in the accompanying financial statements, programs that have similar characteristics have been combined into program groups. Accordingly, all financial transactions have been recorded and reported by program group.

Basis of Accounting - Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Grant or contract revenue is recognized when earned. The grants and contracts are written on an expense reimbursement basis and accordingly, grant or contract revenue is earned when allowable program expenses are incurred. Expenses are recorded when the liability is incurred. Disbursements for the purchase of property and equipment which provide future benefits are recorded as expenses in the program at the time of purchase. Any property and equipment capitalized is presented in the Statement of Net Assets.

REGION XII COUNCIL OF GOVERNMENTS, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2015

Note 1 Nature of Activities and Significant Accounting Policies (continued)

B. Significant Accounting Policies (continued)

Basis of Presentation - Net assets and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the COG and changes therein are classified and reported as follows:

Unassigned net assets - Net assets that are not subject to donor-imposed stipulations.

Revenues are reported as increases in unassigned net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unassigned net assets.

Assets, Liabilities and Net Assets - The following accounting policies are followed in preparing the combined statement of financial position.

Cash and Cash Equivalents - Cash and cash equivalents include amounts in demand deposits, money market funds, and certificates of deposit.

Program Funds and Accounts Receivable - Reimbursement procedures used for grants and contracts may result in timing differences between program reimbursements and expenses as of the beginning and end of the year. Program funds and accounts receivable include amounts due to the COG but not received at year end.

Allowance for Doubtful Accounts - The direct write-off method is used to account for uncollectible housing and business loans. There is no provision for bad debts since all receivables and loans are considered to be collectible.

Receivables and Payables from Affiliated Organizations - During the course of operations, numerous transactions occur between individual funds and affiliated organizations for goods provided or services rendered. To the extent that certain transactions between funds and affiliated organizations have been paid or received as of June 30, 2015, balances of inter-fund amounts have been recorded.

Property, Vehicles, and Equipment - Property, vehicles, and equipment are valued at historical cost. Property, vehicles, and equipment are recorded as expenses in the fund purchasing the asset. The purchases are then capitalized accumulating the net investment in property, vehicles, and equipment. Depreciation has been provided using the

REGION XII COUNCIL OF GOVERNMENTS, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2015

Note 1. Nature of Activities and Significant Accounting Policies (continued)

B. Significant Accounting Policies (continued)

Property, Vehicles, and Equipment (continued)

straight-line method over the estimated useful lives of the respective assets, generally 50 years for real property and 5 to 10 years for vehicles and equipment. The depreciated cost of the property, vehicles, and equipment does not purport to be either a realizable value or a replacement value. Expenses for maintenance, repairs, and minor replacements are charged to the current year, while the cost for major replacements and betterments are capitalized. The cost of assets disposed is deleted.

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (local expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to a local pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Annual Leave - Employees of Region XII Council of Governments, Inc. accumulate a limited amount of earned but unused annual leave payable to employees. Amounts representing the cost of annual leave expected to be liquidated currently are recorded as liabilities. This liability has been computed based on current rates of pay.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year.

REGION XII COUNCIL OF GOVERNMENTS, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2015

Note 1 Nature of Activities and Significant Accounting Policies (continued)

B. Significant Accounting Policies (continued)

Deferred inflows of resources in the Statement of Net Position consist of succeeding year unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Cost Allocation - The organization has adopted a cost allocation plan to allocate joint costs to the various programs. Any cost which cannot be assigned directly to a program is allocated based upon the ratio of direct labor hours worked for the respective program, square feet of space used, gross wages for direct program costs, or other reasonable methods of allocation. The cost allocation plan is approved by the COG's federal cognizant agency.

Budgetary Accounting - The organization is not required by statute to use budgetary accounting. Therefore, no budgetary information is included in these financial statements.

Income Taxes - Region XII Council of Governments, Inc. is exempt from Federal income taxes under provisions of Internal Revenue Code Section 501(c)(3).

The organization does file Form 990, Return of Organization Exempt From Income Tax in the U.S. federal jurisdiction.

Use of Estimates

The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from amounts estimated. These estimates involve useful lives for depreciation of assets, allowance for doubtful accounts, loss contingencies, and other estimating techniques as may be required to record effects of future events.

Note 2 Support From Governmental Units

Region XII Council of Governments, Inc. receives substantially all of its support from Federal, State, and local governments. A significant reduction in the level of this support, if this were to occur, would have a significant effect on the COG's programs and activities.

REGION XII COUNCIL OF GOVERNMENTS, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2015

Note 3 Leases

Region XII Council of Governments, Inc. sub-leases office facilities from the Iowa Workforce Development under a lease agreement which began October 1, 2011, and expires December 31, 2016.

Region XII Council of Governments, Inc. is obligated under other lease agreements accounted for as operating leases for equipment. In the event insufficient program funding occurs, these leases may be prematurely terminated with appropriate notice.

Note 4 Pension Plan

Plan Description - IPERS membership is mandatory for employees of the Organization. Employees of the Organization are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three year average salary as that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

REGION XII COUNCIL OF GOVERNMENTS, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2015

Note 4 Pension Plan (continued)

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the Organization contributed 8.93 percent for a total rate of 14.88 percent.

The Organization's contributions to IPERS for the year ended June 30, 2015 were \$133,900.

Net Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the Organization reported a liability of \$908,778 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Organization's proportion of the net pension liability was based on the Organization's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the Organization's proportion was 0.022455 percent, which was a decrease of 0.002363 percent from its proportion measured as of June 30, 2013.

REGION XII COUNCIL OF GOVERNMENTS, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2015

Note 4 Pension Plan (continued)

For the year ended June 30, 2015, the Organization recognized pension expense of \$(98,359). At June 30, 2015, the Organization reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of resources</u>	<u>Deferred Inflows of resources</u>
Difference between expected and actual experience	\$ 9,877	\$ 0
Changes of assumptions	40,106	0
Net difference between projected and actual earnings on pension plan investments	0	346,582
Changes in proportion and differences between Organization contributions and proportionate share of contributions	(108,442)	0
Organization contributions subsequent to the measurement date	<u>140,896</u>	<u>0</u>
Total	\$ <u>82,437</u>	\$ <u>346,582</u>

\$140,896 reported as deferred outflows of resources related to pensions resulting from the Organization's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

June 30, 2016	\$ (104,180)
June 30, 2017	(104,180)
June 30, 2018	(104,180)
June 30, 2019	(104,180)
June 30, 2020	11,679
Thereafter	<u>-</u>
Total	\$ <u>(405,041)</u>

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent
Salary increases (effective June 30, 2014)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 2014)	7.50 percent per annum, compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

REGION XII COUNCIL OF GOVERNMENTS, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2015

Note 4 Pension Plan (continued)

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	<u>1</u>	(0.69)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the Organization will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Organization's proportionate share of the net pension liability to changes in the discount rate - The following presents the Organization's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Organization's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
Organizations proportionate share of the net pension liability	\$ 1,717,110	\$ 908,778	\$ 226,462

REGION XII COUNCIL OF GOVERNMENTS, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2015

Note 4 Pension Plan (continued)

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan

At June 30, 2015, the Organization reported payables to the defined benefit pension plan of \$11,055 for legally required employer contributions and \$7,367 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 5 Contingent Liability - Medical Leave

Region XII Council of Governments, Inc.'s full time and part time employees accumulate medical leave hours for subsequent use. No compensation is made for accrued medical leave at time of separation and these accumulations are not recognized as expenses until used. The organization's approximate maximum liability for unrecognized medical leave benefits as of June 30, 2015 was \$223,018. The maximum allowable medical leave may accumulate to 90 days. An employee that has been employed at least 10 years may elect to convert 10 days of medical leave into annual leave. Two days of medical leave earned is then equal to one day of annual leave.

Note 6 Organization Risk Management

Region XII Council of Governments, Inc. is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

These risks are covered by the purchase of commercial insurance. The organization assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 7 Total Deposit Accounts Exceeding Insured Depository Limits

Region XII Council of Governments, Inc. maintains its checking, savings, and certificate of deposit accounts in various financial institutions. These financial institutions classify these deposits as public funds and are subject to the guidelines referred to in Chapter 12C of the Code of Iowa.

As of the fiscal year end, the organization held public funds totaling:

	<u>June 30, 2015</u>
Financial institution balance	\$6,707,793

REGION XII COUNCIL OF GOVERNMENTS, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2015

NOTE 8 Subsequent Events

Through the date the financial statements were available to be issued, management evaluated subsequent events.

Note 9 Uncertain Tax Positions

Region XII Council of Governments, Inc.'s management is not aware of possible tax positions taken by the organization which would be viewed as contrary to tax positions taken by the Internal Revenue Service.

Note 10 Property, Vehicles, and Equipment

A summary of property, vehicles, equipment, and the components of accumulated depreciation, are as follows:

FISCAL YEAR END June 30, 2015

<u>Property & Equip.</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Equipment</u>	<u>Total</u>
Beginning of year	\$ 3,291,104	\$ 2,243,197	\$ 364,219	\$ 5,898,520
Additions	0	425,311	16,408	441,719
Disposals	<u>0</u>	<u>(98,772)</u>	<u>(13,225)</u>	<u>(111,997)</u>
End of year	\$ <u>3,291,104</u>	\$ <u>2,569,736</u>	\$ <u>367,402</u>	\$ <u>6,228,242</u>
 <u>Accumulated Depr.</u>	 <u>Buildings</u>	 <u>Vehicles</u>	 <u>Equipment</u>	 <u>Total</u>
Beginning of year	\$ 514,888	\$ 1,668,973	\$ 248,118	\$ 2,431,979
Current deprec.	49,796	246,408	40,258	336,462
Disposal of assets	<u>0</u>	<u>(98,772)</u>	<u>(13,225)</u>	<u>(111,997)</u>
End of year	\$ <u>564,684</u>	\$ <u>1,816,609</u>	\$ <u>275,151</u>	\$ <u>2,656,444</u>

Note 11 Housing Loans Receivable

Region XII Council of Governments, Inc. accounts for grant proceeds as revenue. Principal and interest payments received are accounted for as other program revenues when received. Loans and grants paid to families are treated as expenses at the time the loan is made to accommodate the required reporting format on quarterly reports.

Region XII Council of Governments, Inc. administers Community Development Block Grants (CDBG) for various cities within Region XII. The Region XII Council of Governments, Inc. also administers HOME grants for itself and various cities.

REGION XII COUNCIL OF GOVERNMENTS, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2015

Note 11 Housing Loans Receivable (continued)

The balance of all loans is reflected as other assets on the combined statement of financial position. A summary of activity is as follows:

FISCAL YEAR June 30, 2015

	<u>Beginning Balance</u>	<u>Payments Received</u>	<u>Write- Offs</u>	<u>Accrued Interest & New Loans</u>	<u>Ending Balance</u>
General Housing \$	720,295	\$ 136,396	\$ 18,291	\$ 57,724	\$ 623,332
HPL Loans	617,550	134,873	2,007	100,394	581,064
LHAP Loans	31,224	31,224	0	0	0
HIRE Loans	265,136	49,036	0	19,303	235,403
HWWS Loans	104,929	5,804	0	0	99,125
	<u>\$ 1,739,134</u>	<u>\$ 357,333</u>	<u>\$ 20,298</u>	<u>\$ 177,421</u>	<u>\$ 1,538,924</u>

Note 12 Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and for changes in the net pension liability, deferred outflows of resources and deferred inflows of resources that arise from other types of events related to pensions. During the transition year, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

Net position June 30, 2014, as previously reported	\$ 11,175,980
Net pension liability at June 30, 2014	(1,405,182)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>133,900</u>
Net position July 1, 2014. as restated	<u>\$ 9,904,698</u>

SUPPLEMENTAL INFORMATION

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REGION XII COUNCIL OF GOVERNMENTS, INC.
 SCHEDULE OF FUNCTIONAL EXPENSES
 YEAR ENDED JUNE 30, 2015

Salaries & wages	\$ 826,781
Employee benefits	288,783
Advertising & marketing	20,428
Accounting & legal	17,858
Insurance	13,519
Contracted services	78,245
Fees, dues & subscriptions	10,726
Rent	80,480
Communications	39,445
Travel	79,028
Office expense	71,193
Facility expenses	40,286
Board expense	5,764
Equipment expense	5,726
Drivers' wages & benefits	997,906
Vehicle fuel & other costs	336,033
Vehicle insurance	80,980
Purchased services	127,522
Participant loans & grants	802,134
Acquisition/Demolition	733,707
Capital expenditures	433,311
Interest	6,062
Matching funds expended	86,058
In-kind Match expenditures	42,433
Depreciation	336,462
Pension expense funding purposes	(98,359)
Total Expenses	\$ <u>5,462,511</u>

See accompanying Notes to Financial Statements.

REGION XII COUNCIL OF GOVERNMENTS, INC.
SCHEDULES OF REVENUES AND EXPENSES
SCHEDULES OF STATE, GENERAL, AND LOCAL ADMINISTERED PROGRAMS ACTIVITY
FOR YEAR ENDED JUNE 30, 2015

	<u>Local Funds</u>	<u>Revolving Loan Funds</u>	<u>Community Administered & Support Programs</u>
Revenues:			
Governmental Funding Source:			
Department of Commerce	\$ 0	\$ 0	\$ 8,275
State funds	0	0	33,465
Program funds	0	0	0
Loan repayments	0	385,682	0
Interest on loans	0	56,349	0
Interest on investments	10,987	37,784	2
Other revenue	251,045	9,617	203,553
Matching funds	<u>0</u>	<u>8,228</u>	<u>8,372</u>
Total revenues	<u>262,032</u>	<u>497,660</u>	<u>253,667</u>
Expenses:			
Salary & wages	42	27,952	86,057
Employee benefits	407	8,336	33,271
Advertising & marketing	4	74	92
Accounting & legal	288	2,092	1,435
Insurance	0	562	1,119
Contracted services	145	383	418
Fees, dues & subscriptions	0	154	148
Rent	0	2,702	3,835
Communications	0	753	1,209
Travel	1,863	2,754	5,050
Office expense	1,998	5,176	3,298
Equipment expense	0	158	540
Facility expenses	3	1,505	2,534
Board expense	0	47	136
Vehicle expense	14,397	0	0
Participant loans & grants	0	140,714	56,043
Capital expenditures	43,733	0	0
Interest	23	0	0
Pension expense-funding purpose	(98,359)	0	0
Matching funds & transfers	<u>31,660</u>	<u>15,973</u>	<u>26,007</u>
Total expenses	<u>(3,796)</u>	<u>209,335</u>	<u>221,192</u>
Revenue over (under) expenses	265,828	288,325	32,475
Beginning of year	<u>1,070,370</u>	<u>3,646,392</u>	<u>(51,938)</u>
End of Year-Net Assets	\$ <u>1,336,198</u>	\$ <u>3,934,717</u>	\$ (<u>19,463</u>)

See accompanying Independent Auditor's Report.

Schedule 2

<u>Iowa Waste Exchange Programs</u>	<u>Iowa Workforce Development Programs</u>	<u>Western Iowa Advantage Partners</u>
\$ 0	\$ 0	\$ 0
402,184	0	33,550
0	0	0
0	0	0
0	0	0
0	0	1,886
0	53,439	400
127	2	60,641
<u>402,311</u>	<u>53,441</u>	<u>96,477</u>
98,535	31,109	2,768
33,693	10,520	691
5,586	1	11,762
1,563	207	6
1,928	11	55
107	9	72,951
676	52	6
3,966	72	175
925	10	77
8,008	11,316	2,542
5,023	103	268
1,231	0	0
2,717	30	188
195	1	113
0	0	0
237,735	0	0
0	0	0
0	0	0
0	0	0
423	0	2,322
<u>402,311</u>	<u>53,441</u>	<u>93,924</u>
0	0	2,553
0	0	171,136
\$ <u><u>0</u></u>	\$ <u><u>0</u></u>	\$ <u>173,689</u>

REGION XII COUNCIL OF GOVERNMENTS, INC.
SCHEDULES OF REVENUES AND EXPENSES
SCHEDULES OF FEDERAL PROGRAMS ACTIVITY
FOR YEAR ENDED JUNE 30, 2015

	Economic Development Planning <u>Grant</u>	Hazard Mitigation <u>Grants</u>	Community Development Block <u>Grants</u>
Revenues:			
Governmental Funding Sources:			
Department of Agriculture	\$ 0	\$ 0	\$ 0
Department of Commerce	61,000	0	0
Department of Housing & Urban Development	0	0	920,231
Department of Labor	0	0	0
Department of Health & Human Services	0	0	0
Department of Transportation	0	0	0
Department of Homeland Security	0	31,632	0
Matching Funds	18,567		45,260
In-Kind Match	42,433	0	0
Interest income-bank	0	0	0
Total Revenues	<u>122,000</u>	<u>31,632</u>	<u>965,491</u>
Expenses:			
Salaries & wages	46,753	0	114,717
Employee benefits	15,697	0	43,685
Advertising & marketing	15	0	99
Accounting & legal	321	0	3,013
Insurance	896	0	2,182
Contracted services	73	0	1,743
Fees, dues & subscriptions	141	0	402
Rent	4,804	0	11,590
Communications	882	0	2,365
Travel	2,998	0	10,357
Office expense	2,681	0	7,226
Equipment expense	1,011	0	1,444
Facility expenses	3,205	0	7,563
Board expense	90	0	176
Participant loans & grants	0	0	2,392
Acquisition/Demolition	0	0	733,707
Interest	0	0	5,310
Matching Funds Expenses	0	0	0
In-Kind expense	42,433	0	0
Total expenses	<u>122,000</u>	<u>0</u>	<u>947,971</u>
Program revenues over (under) expense	0	31,632	17,520
Beginning of Year	<u>0</u>	<u>(31,632)</u>	<u>23,434</u>
End of Year-Net Assets	\$ <u>0</u>	\$ <u>0</u>	\$ <u>40,954</u>

See accompanying Independent Auditor's Report.

Schedule 3

HOME Investment Partnership <u>Program</u>	WIA Title I & SWA	Community Partnerships For Protecting <u>Children</u>
\$ 0	\$ 0	\$ 0
0	0	38,586
328,132	0	0
0	156,608	0
0	0	0
0	0	0
0	0	0
35,000	36	52
0	0	0
0	0	0
<u>363,132</u>	<u>156,644</u>	<u>38,638</u>
46,305	81,253	1,242
17,861	36,364	397
56	174	1
33	651	8
883	1,710	28
318	126	1
119	857	10
3,459	7,787	136
1,245	1,054	22
3,720	8,464	1,653
4,333	10,363	1,388
586	0	0
2,935	405	75
70	1,630	3
329,453	5,806	29,991
0	0	0
729	0	0
0	0	3,683
0	0	0
<u>412,105</u>	<u>156,644</u>	\$ <u>38,638</u>
(48,973)	0	0
(5,743)	0	0
\$ (<u>54,716</u>)	\$ <u>0</u>	\$ <u>0</u>

REGION XII COUNCIL OF GOVERNMENTS, INC.
SCHEDULES OF REVENUE AND EXPENSES
SCHEDULES OF WESTERN IOWA TRANSIT PROGRAMS ACTIVITY
FOR YEAR ENDED JUNE 30, 2015

	<u>Rural Transit Operating</u>	<u>Rural Transit Capital</u>	<u>Planning Joint Participation Agreement</u>
Revenue:			
Governmental Funding Source:			
Federal-Dept. of Transportation	\$ 550,879	\$ 272,185	\$112,158
Iowa Dept. of Transportation	351,414	0	0
Elderbridge Agency	31,000	0	0
United way	4,500	0	0
Public support & contribution	1,120,274	0	0
Capital & other matching funds	0	114,393	28,042
Interest from investments	7,040	0	0
Fuel tax refund	515	0	0
Other local	23,498	0	0
Total Revenues	<u>2,089,120</u>	<u>386,578</u>	<u>140,200</u>
Expenses:			
Salaries & wages	206,882	0	83,166
Employee benefits	61,998	0	25,863
Advertising & marketing	2,522	0	42
Accounting & legal	7,751	0	490
Insurance	2,513	0	1,632
Contracted services	1,825	0	146
Fees, dues & subscriptions	7,914	0	247
Rent	35,640	0	6,314
Communications	28,544	0	2,359
Travel	15,206	0	5,097
Office expense	21,499	0	7,837
Equipment expense	0	0	756
Facility expenses	13,795	0	5,331
Board expense	2,383	0	920
Drivers' wages & benefits	997,906	0	0
Vehicle fuel & other costs	321,636	0	0
Vehicle insurance	80,980	0	0
Purchased services	127,522	0	0
Capital purchases	3,000	386,578	0
Matching funds	5,990	0	0
Total Expenses	<u>1,945,506</u>	<u>386,578</u>	<u>140,200</u>
Revenue over (under) expenses	143,614	0	0
Beginning of year-net assets	<u>880,762</u>	<u>0</u>	<u>0</u>
End of Year-Net assets	\$ <u><u>1,024,376</u></u>	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>

See accompanying Independent Auditor's Report.

SCHEDULES OF REVENUE AND EXPENSES FOR COMPLETED PROGRAMS

REGION XII COUNCIL OF GOVERNMENTS, INC.
SCHEDULES OF REVENUES AND EXPENSES
COMPLETED PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2015

	COMMUNITY DEVELOPMENT BLOCK GRANT				
Program Number	13-WS-013 City of <u>Churdan</u> 7/1/13- 6/30/16	14-WS-026 City of <u>Schleswig</u> 5/1/14- 5/31/17	10-HSG-025 City of <u>Redfield</u> 10/1/10- 8/30/14	11-HSG-027 City of <u>Jefferson</u> 8/1/11- 11/30/14	11-HSG-043 City of <u>Perry</u> 8/1/11- 9/30/14
Grant or Program Period					
Revenues:					
Governmental Funding Sources:					
Department of Housing & Urban Development	\$ 15,000	\$ 8,456	\$ 227,273	\$ 366,918	\$ 382,490
Department of Labor	0	0	0	0	0
Matching Funds	759	0	197	1,113	1,283
Total Revenues	<u>15,759</u>	<u>8,456</u>	<u>227,470</u>	<u>368,031</u>	<u>383,773</u>
Expenses:					
Salaries & wages	9,669	5,175	18,020	31,483	31,229
Employee benefits	2,974	1,685	7,336	10,755	12,923
Advertising & marketing	4	1	21	23	49
Accounting & legal	12	6	636	1,241	1,317
Insurance	198	102	244	518	478
Contracted services	10	6	1,483	780	672
Fees, dues & subscriptions	30	5	121	198	214
Postage	0	0	362	335	553
Rent	1,032	580	1,444	2,720	2,846
Communications	148	71	193	353	365
Travel	351	162	2,079	3,565	3,696
Office expense	595	250	861	1,425	1,547
Equipment expenses	67	66	553	635	747
Facility expenses	646	337	853	1,769	1,805
Board expense	23	10	79	123	147
Participant loans & grants	0	0	191,725	309,139	323,472
Acquisition /Demolition	0	0	0	0	0
Interest	0	0	1,460	2,969	1,713
Participant support	0	0	0	0	0
Total expenses	<u>15,759</u>	<u>8,456</u>	<u>227,470</u>	<u>368,031</u>	<u>383,773</u>
Net	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>

See accompanying Independent Auditor's Report.

Schedule 5

CDBG Cont'd	HAZARD MITIGATION				15-W-PF-	13-W-08-FR-0
	DR-1763-	DR-1763-	DR-1763-	DR-1763-	RR-0-04	
08-NSP-014	0183-01	0184-01	0180-01	0182-01	WORK FORCE	WORK FORCE
City of	Guthrie	Sac	Carroll	Greene	INVESTMENT	INVESTMENT
Perry	County	County	County	County	ACT	ACT
7/22/09-	1/11/11-	1/1/11-	1/1/11-	1/1/11-	9/5/14-	7/1/13-
3/31/16	2/28/14	2/28/14	2/28/14	2/28/14	1/6/15	6/30/15
\$ 797,533	\$ 18,700	\$ 25,500	\$ 34,000	\$ 21,250	\$ 0	\$ 0
0	0	0	0	0	6,000	186,783
1,882	23	43	37	29	36	0
<u>799,415</u>	<u>18,723</u>	<u>25,543</u>	<u>34,037</u>	<u>21,279</u>	<u>6,036</u>	<u>186,783</u>
48,176	11,668	15,990	21,034	13,011	3,048	99,975
16,865	3,714	5,284	7,009	4,591	866	43,034
365	12	5	18	7	0	781
2,189	73	84	109	80	0	1,903
720	163	247	322	183	57	2,682
537	21	19	29	18	0	174
346	77	63	165	61	0	1,483
953	40	47	65	49	0	0
3,964	992	1,360	1,792	1,165	390	13,240
659	96	145	194	110	13	2,081
3,296	569	636	952	536	144	5,127
2,124	417	581	887	509	355	11,714
1,482	150	163	204	200	0	0
2,600	630	846	1,123	700	1	244
226	101	73	134	59	0	2,475
206,248	0	0	0	0	0	0
501,496	0	0	0	0	0	0
7,169	0	0	0	0	0	0
0	0	0	0	0	1,162	1,870
<u>799,415</u>	<u>18,723</u>	<u>25,543</u>	<u>34,037</u>	<u>21,279</u>	<u>6,036</u>	<u>186,783</u>
\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>

REGION XII COUNCIL OF GOVERNMENTS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Agency and Office:

Recipient State Agency:

Sub-recipient of State Funds:

Program Title:

	<u>CFDA #</u>	<u>Program Or Grant Number</u>	<u>Total Expenditures</u>
<u>Federal Direct:</u>			
<u>Department of Commerce-Economic Development Administration:</u>			
Economic Development Support for Planning Organizations	11.302	05-83-05354-01	\$ 122,000
<u>Federal Indirect:</u>			
Comprehensive Planning Program			
County of:			
Audubon	11.302	05-79-05631	4,512
			\$ <u>126,512</u>
<u>Federal Indirect:</u>			
<u>Department of Housing & Urban Development-Office of Community Planning & Development:</u>			
<u>Iowa Economic Development Authority:</u>			
<u>Subrecipient of Cities, Counties, and SWIPCO:</u>			
Community Development Block Grants			
City of:			
Sac City	14.228	13-DTR-010	\$ 4,113
Stuart	14.228	13-DTR-011	10,986
Adel	14.228	13-DTR-009	9,236
Breda	14.228	14-WS-025	8,673
Churdan	14.228	13-WS-013	13,457
Schleswig	14.228	14-WS-026	8,239
Kiron	14.228	13-WS-014	9,010
Ralston	14.228	14-WS-027	3,474
Stuart-Housing	14.228	12-HSG-008	98,634
Ricketts-Housing	14.228	13-HSG-013	50,947
Perry-Neighborhood Stabilization	14.228	08-NSP-014	5,752
Audubon-Housing	14.228	13-HSG-011	287,973
Guthrie Center-Housing	14.228	12-HSG-013	91,796
Boone-Neighborhood Stabilization	14.228	08-NSP-002	3,652
Ralston-Housing	14.228	13-HSG-019	71,253
Redfield-Housing	14.228	10-HSG-025	29,923
Panora-Housing	14.228	14-HSG-012	56,464
Jefferson-Housing	14.228	11-HSG-027	51,272
Glidden-Housing	14.228	14-HSG-013	85,247
Perry-Housing	14.228	11-HSG-043	29,420
Lytton-Housing	14.228	14-HSG-011	9,950
County of:			
Greene	14.228	14-ED-001	3,312
			<u>942,783</u>
Home Investment Partnership Program			
City of:			
Carroll	14.239	14-HM-177	198,086
Nevada	14.239	14-HM-161	26,515
Region XII Council of Governments	14.239	14-HM-179	187,504
			<u>412,105</u>
Total			\$ <u>1,354,888</u>

REGION XII COUNCIL OF GOVERNMENTS, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
 FOR THE YEAR ENDED JUNE 30, 2015

Agency and Office:

Recipient State Agency:

Sub-recipient of State Funds:

Program Title:

Federal Indirect:

CFDA #

Program
Or Grant
Number

Total
Expenditures

Department of Labor-Employment Training Administration:

Iowa Workforce Development

WIA Adult Program	17.258	13-W-08-FR-0	\$ 31,526
WIA Youth Programs	17.259	13-W-08-FR-0	62,730
WIA Early Intervention APPA	17.278	15-W-PF-RR-0-04	6,000
WIA Dislocated Worker	17.278	13-W-08-FR-0	56,352
Total			\$ <u>156,608</u>

Department of Transportation-Federal Highway Administration:

Iowa Department of Transportation:

Planning Joint Participation Agreement To			
Implement Regional Intermodal Planning	20.205	FHWA STP C/O 15RPA-12	\$ 25,049
	20.205	FHWA SPR NEW 15RPA-12	31,697
	20.509	FTA 5311 NEW 15RPA-12	31,697
	20.205	FHWA STP NEW 15RPA-12	51,757
			\$ <u>140,200</u>
Non-Urban Surface Transportation Project	20.509	85-X033-120-15	62,199
RTAP Fellowship	20.509	TFR15	2,414
Operating Assistance	20.509	18-0031-120-15	548,465
Transit Joint Participation Agreement to			
Implement AFTA Bus and Bus			
Facilities Project	20.509	34-0003-120-13	77,679
	20.509	34-0003-120-14	210,380
			\$ <u>901,137</u>
Total			\$ <u>1,041,337</u>

Department of Health & Human Services-Administration for Children and Families:

Iowa Department of Human Services

Community Partnerships For Protecting			
Children	93.556	DCAT 1-14-080	<u>38,638</u>

TOTAL EXPENDITURES OF FEDERAL AWARDS

\$ 2,717,983

Basis of Presentation: The Schedule of Expenditures of Federal Awards includes the federal grant activity of Region XII Council of Governments, Inc., and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

REGION XII COUNCIL OF GOVERNMENTS, INC.
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST FISCAL YEAR*

	<u>2015</u>
Proportion of the net pension liability	.022455
Proportionate share of the net pension liability	\$ 908,778
Covered-employee payroll	\$ 1,577,779
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	62.16%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Organization will present information for those years for which information is available.

See accompanying Independent Auditor's Report.

REGION XII COUNCIL OF GOVERNMENTS, INC.
 SCHEDULE OF IPERS CONTRIBUTIONS - LAST 10 YEARS
 JUNE 30, 2015

<u>Fiscal Year</u>	<u>Statutorily Required Contribution</u>	<u>Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contribution Percentage of Payroll</u>
2015	\$140,896	\$140,896	0	\$1,577,779	8.93%
2014	133,900	133,900	0	1,499,445	8.93%
2013	140,944	140,944	0	1,625,648	8.67%
2012	135,311	135,311	0	1,678,792	8.06%
2011	120,261	120,261	0	1,730,370	6.95%
2010	110,264	110,264	0	1,658,099	6.65%
2009	95,438	95,438	0	1,502,958	6.35%
2008	87,899	87,899	0	1,453,056	6.05%
2007	78,282	78,282	0	1,361,412	5.75%
2006	75,575	75,575	0	1,314,315	5.75%

REGION XII COUNCIL OF GOVERNMENTS, INC.
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified terms for current Regular members. The definition of final average salary changes from the highest three to the highest five years of covered wages. The vesting requirement changes from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008 legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be share 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increase the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

REGION XII COUNCIL OF GOVERNMENTS, INC.
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY (cont'd)
YEAR ENDED JUNE 30, 2015

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumptions from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

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November 12, 2015

RTS CERTIFICATION BY INDEPENDENT AUDITOR

To the Board of Directors
Region XII Council of Governments, Inc.
Carroll, Iowa

I have audited the contracting opportunities and Disadvantaged Business Enterprise and Women Business Enterprise participation summary of Region XII Council of Governments, Inc. (Transit System). My audit of the report details included tests of accounting records, purchase orders, and contracts issued to Disadvantaged Business Enterprise and Women Business Enterprise firms as we considered necessary to verify that the information reported corresponds with the transit system's financial statements and other official documentation. It was not within the scope of my audit to make any assurances about the eligibility of any firm to be certified as a Disadvantage Business Enterprise or Women Business Enterprise, since the Iowa Department of Transportation assumes this responsibility. Tests were conducted to assure that this information fairly reflects the transit system's efforts to comply with Section 105(f) and Subpart D of the Surface Transportation Assistance Act of 1982.

The tests of accounting records and inquiries with management indicated that effort is made to identify Disadvantaged Business Enterprises and Women Business Enterprise. Management has procedures which identify current vendors as eligible to be certified as a Disadvantaged Business Enterprise and Women Business Enterprise.

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November 12, 2015

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

To the Board of Directors
Region XII Council of Governments, Inc.
Carroll, Iowa

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of Region XII Council of Governments, Inc., as of and for the year ended June 30, 2015, related notes to the financial statements, which collectively comprise Region XII Council of Governments, Inc.'s basic financial statements, and have issued my report thereon dated November 12, 2015.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Region XII Council of Governments, Inc.'s internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Region XII Council of Governments, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of Region XII Council of Governments, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Region XII Council of Governments, Inc.'s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during the audit, I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Region XII Council of Governments, Inc.'s financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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November 12, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors
Region XII Council of Governments, Inc.
Carroll, Iowa

Report on Compliance for Each Major Federal Program

I have audited Region XII Council of Governments, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Region XII Council of Governments, Inc.'s major federal programs for the year ended June 30, 2015. Region XII Council of Governments, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Region XII Council of Governments, Inc.'s major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Region XII Council of Governments, Inc.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Region XII Council of Governments, Inc.'s compliance.

Opinion on Each Major Federal Program

In my opinion, Region XII Council of Governments, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Internal Control Over Compliance

Management of Region XII Council of Governments, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Region XII Council of Governments, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Region XII Council of Governments, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by
OMB Circular A-133**

I have audited the financial statements of Region XII Council of Governments, Inc. as of and for the year ended June 30, 2015, and have issued my report thereon dated November 12, 2015, which contained an unmodified opinion on those financial statements. My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

REGION XII COUNCIL OF GOVERNMENTS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Part I: Summary of the Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No matters were reported
Reportable condition(s) identified not considered to be material weaknesses?	No matters were reported
Non-compliance material to financial statements noted?	No matters were reported

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No matters were reported
Reportable condition(s) identified not considered to be material weaknesses?	No matters were reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133. Section .510(a)?	No matters were reported
Identification of major programs:	
Department of Housing and Urban Development	14.228
Department of Transportation	20.205 - 20.509
Dollar threshold used to distinguish between Type A and Type B programs:	\$ 500,000
Auditee qualified as low risk.	

Part II: Findings relating to the financial statements which are required to be reported in accordance with Governmental Auditing Standards.

No matters were reported

Part III: Findings and questioned costs for Federal Awards which shall include audit findings as defined in OMB Circular A-133.

No matters were reported